

ETHANOL PRODUCER

An Ethanol Producer is any person who engages in the business of producing ethyl alcohol for sale, use, or distribution. Ethyl alcohol is a motor fuel typically derived from agricultural products that has been denatured.

All Ethanol Producers that sell, use, or distribute ethyl alcohol in South Dakota must be licensed. They are required to collect taxes and TI Fees for ethyl alcohol that they sell unless the ethyl alcohol is sold to a licensed Ethanol Broker or to a licensed Exporter for export.

Ethanol blend is defined as a blended motor fuel containing ethyl alcohol of at least ninety-nine percent purity, typically derived from agricultural products which are blended exclusively with a product commonly or commercially known or sold as gasoline.

The blending of casinghead is not permitted in an ethanol blend fuel product in quantities larger than required to denature the alcohol.

Marketing Companies

The majority of Ethanol Producers in South Dakota have a company that also markets the ethyl alcohol. The marketing company purchases the ethyl alcohol from the Ethanol Producer and resells it. This company will need to obtain an Ethanol Broker license.

Selling Ethanol Blends and Methanol Blends

Ethyl Alcohol and Methyl Alcohol are taxed at the rate of \$.08 per gallon plus the \$.02 per gallon Tank Inspection Fee. These products are now taxed because of the various levels of ethanol blends now being seen in the industry. **If an Ethanol Producer sells an ethanol blend or methanol blend, the bill of lading and the invoice must list the alcohol gallons and gasoline gallons separately.**

Record Keeping/Acceptable Records

To ensure that the correct amount of fuel tax is collected on all fuel used on South Dakota roads and highways, the laws require Ethanol Producers to keep detailed records of all fuel transactions and deliveries. Ethanol Producers will need these records to accurately complete tax returns and must present them to Department personnel if they are audited or have their licenses reviewed. Records are to be *maintained* for a period of at least 30 days at the delivery location or a location approved by the Secretary. All records must be preserved for the current year and the three preceding calendar years.

Fuel Sales, Purchase, and Shipping Records

Licensed Ethanol Producers must keep all sales and purchase invoices in either their original format, through film retrieval or electronic media. They must also maintain shipping records that indicate the destination state for all products sold. The Consignee must also be identified on all bills of lading. The titles "Unlisted" and/or "Unknown" are not acceptable names for the Consignee listed on the bill of lading, since the Supplier should know who is purchasing the fuel. If a shipment is going to multiple locations in a

state, the title “Various” may be used on the bill of lading to identify destination cities, but the titles “Unlisted” and/or “Unknown” are not acceptable. Bills of lading will also be retained in their original format, film retrieval, or electronic media.

The Secretary of Revenue may require other pertinent records and papers necessary for the enforcement of fuel tax laws, including purchase records, journals, ledgers, payment records and banking records.

Sales and Purchase Records

Licensed Ethanol Producers must keep all sales and or purchase invoices. A copy of the invoice must be maintained in the records of both the seller and the purchaser. The invoices must be serially numbered and must contain the following information:

- The seller’s name and address;
- The seller’s supplier’s license number issued by the department, if the fuel was sold at the pipeline or the seller’s marketer’s number if not sold at a pipeline;
- The purchaser’s name and address;
- The date of sale and delivery of the fuel;
- The number of gallons of fuel sold and delivered to the purchaser, the type of fuel and if diesel whether it was dyed or not;
- The price charged per gallon of fuel;
- If charged, the amount of fuel tax or sales tax. Fuel tax must either be listed separately or as a statement by the marketer that the price per gallon required by law includes the South Dakota fuel tax; and
- The total amount of the sales invoice

Other Records Required of Ethanol Producers

Ethanol Producers are required to maintain inventory records that show the total gallons on hand at the beginning of the month, the total gallons produced during the month, the total gallons sold during the month, and the total gallons remaining in storage at the end of the month. Ethanol Producers must keep records that show the total number of ethyl alcohol gallons produced out of state each month. Total gallons of natural gasoline and/or gasoline used to denature the alcohol during the reporting period are also required.

Ethanol Producers are required to keep all alcohol denaturing records. The Ethanol Producer may denature alcohol by adding gasoline or natural gasoline to it in amounts equal to at least 5 gallons of gasoline for each 95 gallons of alcohol. The alcohol may also be denatured by any other method common in the industry. All alcohol for in-state sale or distribution must be denatured **prior** to being delivered into a delivery vehicle. Splash blending is not an acceptable means for denaturing alcohol.

The Secretary of Revenue may require other pertinent records and papers necessary for the enforcement of fuel tax laws, including purchase records, journals, ledgers, payment records and banking records.

Ethanol Producer Uniform Schedules of Disbursements

Uniform Schedules of Disbursements are required to be filed by Ethanol Producers with each monthly tax return. This schedule must show each individual transaction that takes place during the month. The license number of the purchaser that is entered on the schedule must match the number that is authorized for the transaction that is taking place.

For example, if the purchaser is buying the product for export, the number entered for that transaction must be the purchaser's current Exporters license number with the state. If they are just marketing the fuel, the license number must be the purchasers' current Marketers license number with the state. The correct schedule type must also be entered for each transaction. The fuel type is to be identified by the FTA Product Code that is listed for it in the chart at the beginning of this manual.

Allowances

Ethanol Producers who properly remit tax as discussed earlier are allowed to retain an amount equal to two and one-fourth percent (2.25 percent) of the tax due on each gallon of fuel withdrawn from the rack. The Ethanol Producer may keep one-third of this amount (.75 percent) to help offset the administrative expenses involved in reporting and remitting taxes. The remaining two-thirds (1.5 percent) is passed on to the customer who withdrew the fuel.

If an Ethanol Producer is late in submitting the monthly return or remitting the taxes due, the Ethanol Producer may not retain any of the 2.25 percent allowance. If a customer is late in paying the fuel tax owed, the Ethanol Producer may retain the entire 2.25 percent allowance.

Payment and Reporting Schedule

All fuel tax due from an Ethanol Producer must be remitted to the Department of Revenue on or before the last day of the month following the month in which the fuel was sold. A monthly tax return must be submitted at the same time. For example, an Ethanol Producer would remit all tax collected in September by October 31st. If October 31st falls on a Saturday, Sunday, legal holiday or on a day that the Federal Reserve Bank is closed, the tax and report are due on the next day that is not a Saturday, Sunday, legal holiday or a day that the Federal Reserve Bank is closed.

Ethanol Incentive Payments

A production incentive payment (based on available funding) of 20 cents per gallon is available to ethanol producers for ethyl alcohol that is fully distilled and produced in South Dakota and to qualified biobutanol producers for biobutanol fully produced in South Dakota. The ethyl alcohol must be ninety-nine percent pure and must be distilled from cereal grains. If ethyl alcohol is to be shipped outside of the United States, it does not need to meet these provisions to qualify for the ethanol production incentive payment.

Annual production incentive payments for any facility may not exceed \$1 million. An ethanol production facility is eligible for a production incentive payment only if the facility has produced qualifying ethyl alcohol on or before December 31, 2006. No facility may receive any production incentive payments in an amount greater than \$9,682,000 dollars.

Refunds

Ethanol Producers may obtain a refund of the taxes paid for natural gasoline and or gasoline that is used to denature alcohol. This refund can be claimed on the Ethanol Producer tax return.

Bulk Transfers of Alcohol into or Within a SD Terminal

As of July 1, 2011, ethyl alcohol or methyl alcohol transferred in bulk by pipeline into a terminal or in bulk by pipeline within a terminal will NOT be exempt from South Dakota taxes and TI fees. Ethanol Brokers may however obtain ethyl alcohol tax free from an Ethanol Producer. Once this fuel is transferred from the Ethanol Broker to a licensed South Dakota Supplier, taxes and TI fees need to be collected from the Supplier by the Ethanol Broker and remitted on the Ethanol Broker's tax return.



Ethanol Producer Return

Mail Remittance Center
Return to: P.O. Box 5055
Sioux Falls, SD 57117-5055

License Number:

Return Period:

Return Due Date:

☐ Check here if this is an amended report

Report in Whole Gross Gallons Only

DENATURED FUEL-GRADE ALCOHOL INVENTORY & SALES

| | | | |
|---|--|---|--|
| 1 | Total gallons of fuel-grade alcohol in producer's inventory at beginning of reporting period | 1 | |
| 2 | Total gallons of fuel-grade alcohol produced or upgraded during reporting period | 2 | |
| 3 | Subtotal gallons of fuel-grade alcohol -- Add Lines 1 and 2 | 3 | |
| 4 | Total gallons of fuel-grade alcohol sold to licensed ethanol brokers and licensed exporters for export during reporting period -- Attach Uniform Schedule of Disbursements - Type 6a or 10 | 4 | |
| 5 | Total gallons of taxable fuel-grade alcohol sold to parties other than licensed ethanol brokers and licensed exporters for export during reporting period -- Attach Uniform Schedule of Disbursements - Type 5 | 5 | |
| 6 | Total gallons of fuel-grade alcohol sold during reporting period -- Add Lines 4 and 5 | 6 | |
| 7 | Total gallons of fuel-grade alcohol remaining in inventory at end of reporting period -- Subtract Line 6 from Line 3 | 7 | |

ETHANOL PRODUCTION INCENTIVE

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|----|--|----|--------|
| 8 | Total gallons biobutanol produced | 8 | |
| 9 | Total gallons ethyl alcohol shipped out of the United States of America | 9 | |
| 10 | Total gallons fuel-grade alcohol sold during reporting period -- Record amount from Line 6 here | 10 | |
| 11 | Total gallons fuel-grade alcohol produced out-of-state | 11 | |
| 12 | Net gallons eligible for production payment -- Subtract Line 11 from Line 10 and add Line 8 + Line 9 | 12 | |
| 13 | Production Payment Rate | 13 | \$0.20 |
| 14 | Production payment allowance for this reporting period -- Multiply Line 12 by Rate on Line 13 | 14 | |

TAXES AND FEES DUE

| | | | |
|----|--|----|--|
| 15 | Allowance (If filing on time) -- Multiply Line 5 by 0.0225 | 15 | |
| 16 | Fuel Tax Due -- Subtract Line 15 from Line 5 and multiply by \$0.08 | 16 | |
| 17 | Tank Inspection Fee -- Multiply Line 5 by \$0.02 | 17 | |
| 18 | Total gallons of natural gasoline used for denaturing alcohol -- Determine this from your records | 18 | |
| 19 | Total gallons of gasoline used for denaturing alcohol -- Determine this from your records | 19 | |
| 20 | Net Credit Due for gallons of gasoline and/or natural gasoline used as a denaturant -- Multiply Lines 18 & 19 by \$0.22 tax rate | 20 | |
| 21 | Tank Inspection Fee -- Multiply Lines 18 & 19 by \$0.02 | 21 | |
| 22 | Total credit for this reporting period -- Add Lines 20 and 21 | 22 | |
| 23 | Total taxes and fees for this reporting period -- Add Lines 16, 17 and subtract Line 22 | 23 | |
| 24 | Interest and or Penalty | 24 | |
| 25 | Balance Due or Credit from prior records (See Computer Notice) | 25 | |
| 26 | Total payment due for this reporting period - Add Lines 23, 24 and add or subtract Line 25 (Depending on balance due or credit) | 26 | |

SIGNATURE

I, _____, for the ethanol producer name on the front of this report, do hereby certify under penalty of perjury that I have examined this claim, and, to the best of my knowledge and belief, it is correct and complete. I further certify that all ethanol has been produced from agricultural products at a refinery facility located within South Dakota and that such ethanol has been denatured and meets the 99% purity requirement.

Signature

Title

Date

Ethanol Producer Tax Return

Instructions

1. Report total gallons of fuel-grade alcohol in Producer's inventory at beginning of reporting period.
2. Report total gallons of fuel-grade alcohol produced or upgraded during reporting period.
3. Subtotal gallons of fuel-grade alcohol – Add Lines 1 and 2.
4. Report total gallons of fuel-grade alcohol sold to a licensed Supplier for resale at a terminal and licensed Exporters for export. Attach Uniform Schedule of Disbursements – Type 6a or 6d.
5. Report total gallons of fuel-grade alcohol sold to parties other than licensed Supplier for resale at a terminal and licensed Exporters for export. Attach Uniform Schedule of Disbursements – Type 5.
6. Total gallons of fuel-grade alcohol sold during reporting period – Add Lines 4 and 5.
7. Total gallons of fuel-grade alcohol remaining in inventory at end of reporting period Subtract Line 6 from Line 3.
8. Total gallons of biobutanol produced.
9. Total gallons of fuel-grade alcohol shipped out of the United States of America.
10. Report total gallons of fuel-grade alcohol sold during reporting period (Record amount from Line 6 here).
11. Total gallons fuel-grade alcohol produced out-of-state.
12. Net gallons eligible for production payment – Subtract Line 11 from Line 10 and add Line 8 and Line 9.
13. Production payment rate
14. Production payment allowance for this reporting period – Multiply Line 12 by Rate on Line 13.
15. Allowance (If filing on time) – Multiply Line 5 by 2.25%
16. Fuel Tax due – Subtract line 15 from Line 5 and multiply by \$.08.
17. Tank Inspection Fee due – Multiply Line 5 by \$.02.
18. Report total gallons of natural gasoline used for denaturing alcohol – Determine from your records.
19. Report total gallons of gasoline used for denaturing alcohol – Determine this from your records.
20. Net tax credit due for gallons of natural gasoline and gasoline used as denaturant – Multiply Lines 18 & 19 by \$.22 tax rate.
21. Tank Inspection Fee – Multiply Lines 18 & 19 by \$.02.
22. Total credit for this reporting period – Add Lines 20 and 21.
23. Total taxes and fees for this reporting period – Add Lines 16, 17, and subtract Line 22.
24. Interest and or Penalty -- Interest is calculated at 1.25% per month. First month is \$5 or 1.25%, whichever is greater. Penalty is calculated at 10% or \$10, whichever is greater, for filing a return late even if no tax is due.
25. Balance Due or Credit from prior reporting periods (See computer notice).
26. Total payment due for this reporting period - Add Lines 23, 24 and add or subtract Line 25 (Depending on balance due or credit).

